



## Vanuatu's Road to Economic Growth

Vanuatu is a nation in the South Pacific comprised of 83 separate islands where agriculture and tourism are central to growth, employing more than 70 percent of the working population and representing approximately 34 percent of Vanuatu's GDP. On February 3rd and 4th, 2010, the government and people of Vanuatu held ceremonies to celebrate the handover of several segments of the Efate Ring Road and the Santo East Coast Road. This event marked a significant milestone toward accomplishing the objectives of the \$65.69 million Millennium Challenge Corporation (MCC) compact that was signed with the Government of Vanuatu in 2006. The MCC compact

focuses on strengthening the two most important pillars of development in Vanuatu, physical infrastructure and organizational capacity, by rehabilitating two national roads, strengthening road maintenance capacity through maintenance funding from the government, and building the capacity of the



*Pictured is the before, during, and after results of a paved segment of the Efate Ring Road.*

Public Works Department. To date, 47 out of 92 kilometers of the Efate Ring Road and 17 out of 52 kilometers of the Santo East Coast Road have been paved, with the projects well on track to be completed by early 2011. The program's success will provide the people of Vanuatu with greater access to critical services, an ability to get goods to market, and increased opportunities for businesses in tourism and hospitality through reduced transportation costs and increased transportation reliability.

These celebrations also honored the tremendous turnaround of this compact in the four years of implementation. Because of escalating cost estimates due to the international economy, a rise in oil prices, and the cost of construction materials, the scope of the Transportation Infrastructure Project had to be cut back. The Government of Vanuatu, MCA-Vanuatu, which is the local entity implementing the compact, and MCC partnered to determine the priorities for how best to reduce poverty within the mandated five year timeframe and original budget. In order to finish these roads, therefore, the Government of Vanuatu reached out to other donor partners and secured additional funding through an agreement with New Zealand's International Aid and Development Agency. This additional support has allowed the full completion and sealing of both roads. Australia's Aid Agency agreed to work with the government to fund three further sub-projects as part of a new long-term Vanuatu Transport Sector



*U.S. Ambassador Teddy Taylor and Prime Minister Edward Natapei lead the celebrations of the completion of a major section of the Efate Ring Road on February 4th.*

Support Program. Most important, the Government of Vanuatu and MCA-Vanuatu have taken the lead and turned this into the people's project.

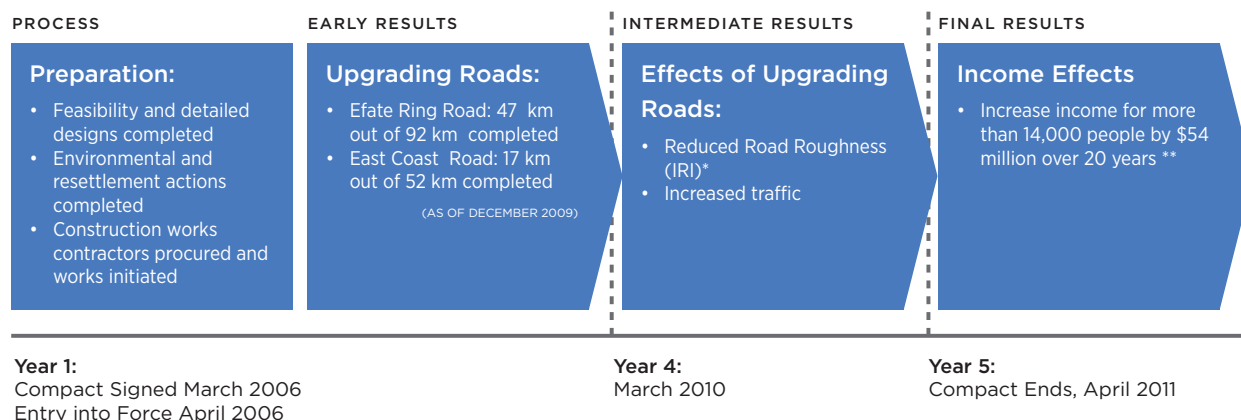
The Efate Ring Road is the only road that leads to the island's agricultural areas, connecting each coastal village and five nearby islands to Port Vila, the economic and political capital. The owner of a coconut plantation and one of Efate's leading farmers is already reaping the benefits, saying "I am very happy and thankful for the paved road. For farmers, this has a big impact in our lives and for our business. It used to take me more than two hours to drive to Port Vila from Epule, and now it takes me less than one hour. During the rainy season, my truck would slide back several times to the bottom of the hill, and I had to start the engine over and over. It required a lot of hard work. Now, I

can enjoy the drive to town and feel confident that I will reach my destination on time." The Vanuatu Investment Promotion Authority has already noted that many more investors are looking to establish new ventures outside of the Port Vila area.

Private sector investors also see that the new Santo East Coast Road brings hope for Vanuatu's continued economic growth. Mayumi Green, a travel agent in Vanuatu, said, "The new road will be followed by new investors, new resorts, more business, more jobs for the future of our children... this new road will not only develop Santo, but the northern islands of Vanuatu."

The program's impact will be felt for generations to come.

## Transport Infrastructure Activity in Vanuatu



\*Roughness (IRI) is the irregularity of the road surface that affects the dynamics of moving vehicles, increasing the wear on vehicle parts and the handling of a vehicle. Roughness has an appreciable impact on vehicle operating costs, the economic evaluation of road maintenance and upgrading expenditures, and the safety, comfort and speed of travel. Roughness is measured using the International Roughness Index (IRI) which is a mathematically defined summary statistic of the longitudinal profile in the wheel paths of a traveled road surface. The lower the number the smoother the surface.

\*\* The gains in beneficiary incomes are in constant 2005 US\$ and reflect annual discounting of 10%. These gains are estimated based on an economic rate of return analysis conducted in 2008.